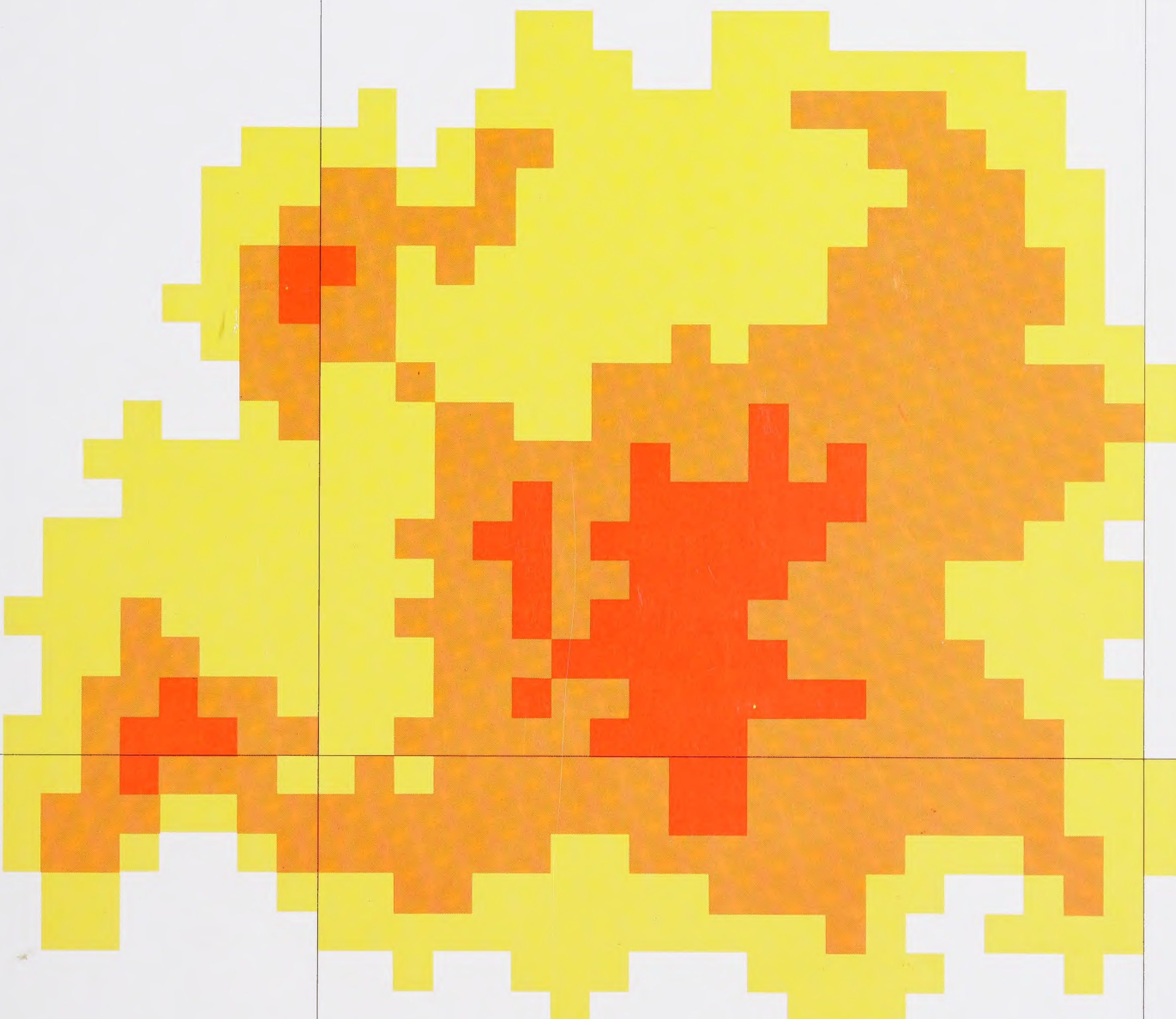
Brinco LIMITED

ANNUAL REPORT 1979



Highlights

Financial	1979	1978
Income		
Oil and gas	$ 619,000	$ —
Short-term investments	$ 5,076,000	$ 3,812,000
Earnings before extra-ordinary items	$ 622,000	$ 28,000
Per common share	$ .03	$ .01
Earnings after extra-ordinary items	$ 18,909,000	$ 1,662,000
Per common share	$1.24	$ .11
Working capital	$ 54,428,000	$ 44,757,000
Capital expenditures		
Mineral properties	$ 3,009,000	$ 1,804,000
Oil and gas properties	$ 941,000	—
Long-term debt	$ 4,220,000	—
Shareholder's investment	$123,443,000	$ 72,774,000
Dividends on Preferred Shares	$ 173,000	—

	Calendar	Fiscal	
	1979	1979	1978
Production*			
Crude oil (barrels)	126,730	62,424	7,320
Daily	347	168	49
Natural gas (mcf's)	1,369,000	1,061,380	378,020
Daily	3,748	2,956	2,162
Net Reserves			
Crude oil (barrels)	3,400,000	3,300,000	220,000
Natural gas (mmcf's)	37,900	36,200	10,000
Uranium oxide (pounds)	23,232,600	23,232,600	20,915,000
Asbestos fibre (tons)	3,000,000	3,000,000	3,000,000

* Brinco Oil & Gas Limited has been consolidated with Brinco since October 18, 1979. Production statistics have been presented for the calendar year 1979 with comparison to the previous fiscal year ended March 31 in order to provide a meaningful comparison with prior activities of Conuco Limited, the predecessor company.

Profile

Brinco Limited is a resource development company engaged directly and indirectly in exploration for and development of natural resources. Its present activities are mainly in the fields of energy (oil and gas and uranium), industrial minerals (asbestos and limestone), and base metals (zinc).

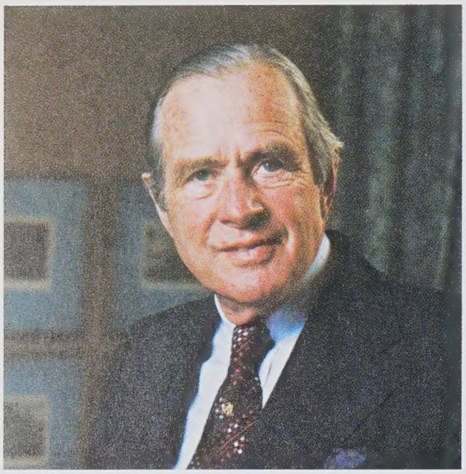
The Company's oil and gas exploration and development activities are conducted through its wholly-owned Alberta based subsidiary, Brinco Oil & Gas Limited which was incorporated to hold the oil and gas interests acquired in the 1979 merger with Conuco Limited.

The company conducts its exploration and development activities in uranium and base metals through Brinex Limited (100% owned) and holds its asbestos interest through Abitibi Asbestos Mining Company Limited, which is 60% owned.

Brinco was incorporated in 1953 under the Companies Act of the Province of Newfoundland, with the primary objective of exploring for and developing the natural resources of that province. Subsequently, Brinco developed the Churchill Falls hydro-electric power plant on the Churchill River in Labrador. Brinco's interest in that project was sold to the Newfoundland Government in 1974 and, in accordance with the terms of the sales agreement, Brinco repurchased 9,973,067 of its outstanding common shares.

As of December 31, 1979, the authorized share capital comprises 10,000,000 preferred shares with a par value of $5.50 issuable in series, and 35,000,000 common shares. There were 16,885,953 common shares and 2,210,435 preferred shares Series A outstanding. The common shares and the preferred shares series A are traded on the Alberta, Montreal and Toronto stock exchanges.

From the Chairman



Upper Left: R. B. Dale-Harris, Chairman of the Board.
Upper Right: H. R. Snyder, President and Chief Executive Officer.
Lower: Brinco Head Office, Toronto.

A number of significant changes took place in your Company during the course of 1979. The most important of these was the acquisition of Conuco Limited of Calgary, which resulted in an increase in Brinco common shares outstanding, creation of new Brinco securities in the form of convertible preferred shares, changes in the composition of the Board of Directors, and direct participation by the Company in the oil and gas industry in Canada. Mr. C. Alan Smith and Mr. George H. Plewes, formerly directors of Conuco, joined our Board. We know that they will make a major contribution to the Company in the forthcoming years, as the Company's participation in the oil and gas industry becomes increasingly more significant.

A number of additions were made to the Company's management, and corporate headquarters were transferred to Toronto from Mississauga. As a result of the acquisition of Conuco the Company now has an integrated staff located in new premises in Calgary to manage its oil and gas activities.

Your new management team under the direction of Mr. H. R. Snyder has been energetic, efficient and effective, and I thank them on your behalf. I believe that we can look forward to good years for the new Brinco.

R. B. Dale-Harris

R. B. DALE-HARRIS
Chairman

March 7, 1980

President's Report to the Shareholders

1979 Objectives

Primary corporate objectives established for Brinco early in 1979 were to establish a direct operating presence in the Canadian oil and gas industry, and to bring the Kitts/Michelin uranium project in Labrador to a financeable stage, thereby shaping Brinco as an energy-oriented resource development company. To achieve these primary objectives, subsidiary objectives were to restructure management and, given government policy on resource ownership in Canada, to increase the Canadian content of Brinco.

1979 Results

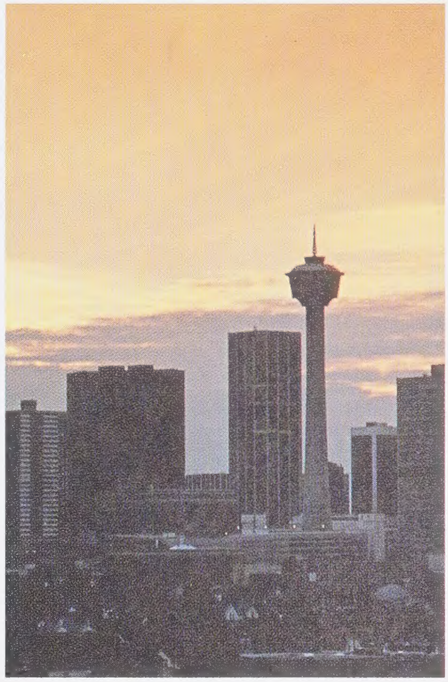
(a) *Oil & Gas*

The merger between Brinco and Conuco Limited initiated in May and completed in October acquired for Brinco direct ownership of Canadian reserves of 37.9 bcf of natural gas and 3.4 million barrels of oil, together with oil and gas rights in 166,000 net acres of land, with 1979 production of 347 bbls. oil /day and 3.7 million cubic feet natural gas/day. The transaction also brought to the Company the services of C. A. Smith, J. R. Kassube and T. N. Dirks, now respectively President, Vice-President — Exploration and Vice-President — Operations of your Company's wholly-owned subsidiary, Brinco Oil & Gas Limited, together with a highly motivated technical and support staff who will be managing the assets previously held by Conuco. Important side benefits of this transaction were an increase in Canadian ownership of Brinco from 7% to 17%, an increase in the market float of Brinco common shares from 1.2 million to 2.4 million shares, the creation of new Brinco securities in the form of convertible preferred shares Series A and B. The Company's shares have now been listed on the Alberta Stock Exchange in Calgary which will undoubtedly become one of the more important Stock Exchanges in Canada as resource activities in western Canada continue to grow.

To rationalize the Company's oil and gas operations, the decision was made to sell the Company's interest in Coseka Resources Limited, and this was achieved in December 1979 for $30.4 million net of commissions, thereby providing a $17.9 million profit for the Company. The association with Coseka has been of great benefit to Brinco, both in the context of exposure to the oil and gas industry and, of course, in the context of the profit earned. We wish Coseka and its management continued success in the future.

(b) *Uranium*

The Kitts/Michelin project was re-engineered and re-evaluated under Mr. J. C. O'Rourke, Vice-President — Mining, who joined Brinco in January 1979. The re-evaluation resulted in a project both economically and politically more attractive than previous concepts which had been studied. Heads of agreement were entered into with Commonwealth Edison Company of Chicago in August, which provided for purchase by Commonwealth Edison of a 40% interest in the Kitts/Michelin project and surrounding exploration lands from Brinco's previous partner, with the undertaking to provide 90% of the financing required to bring the project to production, and to take product at the greater of an agreed floor price, or market price less 5%. Unfortunately the uranium market, strong in the early part of the year, weakened significantly following the Three Mile Island accident and at the beginning of 1980 a further agreement was reached with Commonwealth Edison whereby that company will, subject to governmental and regulatory approvals, purchase the 40% interest referred to above for $14 million, but may defer a decision to proceed immediately with the project.



Calgary, Alberta

Brinco in turn will have the right to re-purchase the 40% interest should an alternate buyer of product be identified.

(c) *Exploration*

The Company's hard rock exploration activities are carried out in Canada and abroad through its wholly owned subsidiaries, Brinex Limited and Union Holdings Inc. respectively. In 1979 hard rock exploration focused on further evaluation of the uranium showings on the Company's concession areas in Labrador where additional high grade uranium boulders were discovered. Whilst the source of these boulders has not yet been located, a number of highly promising prospects have been identified all within 30 km of the proposed Michelin plant site.

Though Brinco's own cash contribution to hard rock exploration activities was curtailed, an aggressive farmout program on the Company's extensive property holdings enabled the Company to maintain the same activity level as that which prevailed in 1978.

(d) *Management*

The additions to senior management mentioned above provide the Company with executives with successful operating experience in the oil and gas and mining sectors; the new management team was rounded out with the addition of T. H. Lewis who joined the Company in March as Treasurer & Manager of Corporate Development, and G. A. C. MacRae who joined the Company in August as Vice-President — Finance and Administration. Finally, the move of the Company's corporate office from Mississauga to 20 King St. W., Toronto, achieved at moderate cost, provides the Company with convenient access to the legal, fiscal and commercial contacts so essential for a growing resource development corporation.

(e) *Financial*

Net earnings in 1979 which include the consolidation of Brinco Oil & Gas Limited from the date of acquisition, October 18, 1979, amounted to $18,909,000 compared to $1,662,000 in 1978. The 1979 earnings include an extraordinary gain of $18,201,000, which relates primarily to the sale of the Company's equity interest in Coseka Resources Limited. The working capital position remains strong at $54,428,000 as of December 31, 1979, compared with $44,757,000 at the end of 1978.

The sale of the Company's equity interest in Coseka added $30,389,000 to the treasury. During the year, $9,300,000 was used to reduce the bank loan of our oil and gas subsidiary, $5,600,000 to redeem preferred shares and $4,000,000 in capital expenditures relating to the Kitts/Michelin project and other activities.

Perspective and 1980 Plan

With the financial position of the Company further strengthened and an experienced resource management team in place, the Company can now concentrate on expanding its asset base in the resource sector.

To this extent Brinco Oil & Gas Limited will participate in a 60-well $30 million exploration and development program in north-west Alberta and north-east British Columbia in 1980. $6 million of these funds will be provided from treasury and re-investment of cash flow, and the balance from partners holding various interests in the properties involved in the program.

Given the significant softening of the uranium market in the latter part of 1979, the start-up of construction on the Kitts/Michelin project is unlikely to be undertaken in 1980; however, exploration activity will continue, concentrated in the areas of the very significant and encouraging high grade boulder trains located in 1978 and 1979.

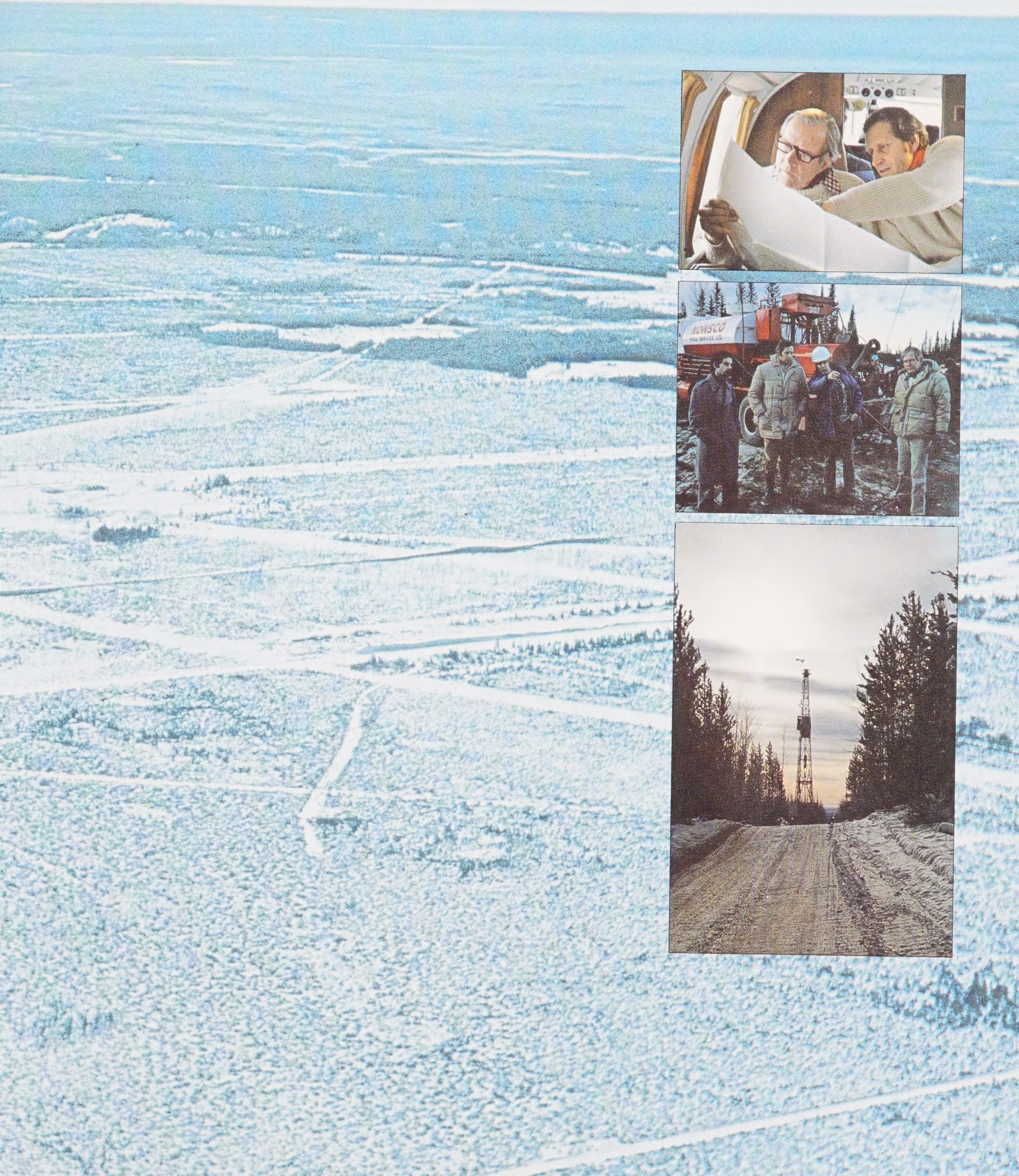
Other hard rock exploration activities will be directed towards targets which are most likely to yield promising results in a relatively short period of time.

Brinco Oil & Gas Limited will be a net user of capital for some years and a first priority in 1980 for the Company will be the acquisition of significant cash-flow-producing assets in the resource sector to support Brinco Oil & Gas Limited and other development activities. Since the activities of non-Canadian companies in the resource sector in Canada will continue to be constrained, a second and equally important priority is that further Canadianization of Brinco take place. Much of management's efforts will be devoted to these two priorities in 1980.

Management and staff, our Board members, our new partners, our counsel and fiscal advisers, have all provided invaluable support and assistance enabling us to accomplish the significant changes in Brinco in 1979. The achievements in 1979 are the result of their dedicated efforts and their constant and enthusiastic encouragement.

HUGH R. SNYDER
President and
Chief Executive Officer

March 7, 1980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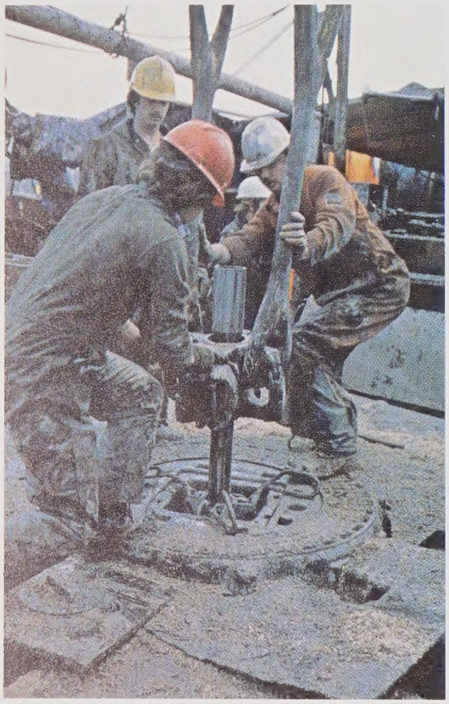


Brinco Oil & Gas Limited was formed on October 18, 1979 following the amalgamation of Conuco Limited with several of its affiliated companies. Coincidentally, it became a wholly owned subsidiary of Brinco and shareholders of the amalgamating companies became shareholders of Brinco. Officers of Conuco have continued in their respective capacities with Brinco Oil & Gas Limited thus providing Brinco with the added dimension of an operating oil and gas division.

Brinco through agreements with other joint venture participants will continue to generate exploration programs and conduct drilling activities in the search for hydrocarbon reserves mainly in Western Canada. Brinco will expend $25 million from treasury over the next five years on oil and gas exploration and in addition will reinvest in this activity a large portion of its cash flow from oil and gas operations.

While activities will be directed towards the development of a strong cash flow base through close-in or offset drilling in areas of proven potential, the Company will also participate in a variety of promising geologic plays in generally underexplored areas. The result will be a balance of high quality programs in both the lower risk/reward and higher risk/reward scenarios.

Brinco will continue the policy pursued by Conuco in recent years of placing heavy emphasis on the search for oil, recognizing the current problems in the marketing of natural gas. Results of recent drilling activity reflect this with approximately one-quarter of successes being oil discoveries.

Oil and gas exploration activities are chiefly in the Provinces of Alberta, British Columbia, and Saskatchewan. Brinco also participates in programs in the State of Texas, the Canadian Arctic and offshore Newfoundland.

Because the combination of companies occurred in October, 1979, financial results of Brinco Limited consolidate only the portion of the year since acquisition of the assets formerly administered by Conuco Limited. Further explanation of this is contained in the notes to the financial statements. The following discussion of oil and gas activities encompasses all of calendar year 1979.

Production review

During 1979, a total of 50 wells were drilled, of which 22 were completed as natural gas producers, 13 were completed as crude oil producers, and 15 were abandoned as dry holes. This represents a success factor of 70%, a satisfactory record. Production volumes for the year were 1,369 million cubic feet of natural gas representing an average of 3.7 million cubic feet of natural gas per day, and 126,700 barrels of crude oil representing average daily production of 343 barrels. As of December 31, 1979, net reserves of crude oil after royalties aggregated 3.4 million barrels, and net reserves of natural gas after royalties aggregated 37.9 billion cubic feet. These figures are management estimates of both proven and probable reserves based on independent engineering consultants' reports.

OWNERSHIP IN PRODUCTIVE WELLS (at December 31, 1979)

	Gross Wells	Net Wells	Status Producing	Status Capped	1979 Production Imperial bbl	1979 Production Metric m^3
Crude Oil Wells:						
Alberta	66	13.792	54	12	95,082	15,118
British Columbia	3	0.503	2	1	4,220	671
Saskatchewan	3	2.020	3	—	14,516	2,308
U.S.A.	11	0.915	11	—	12,912	2,053
Sub-Total Oil	83	17.230	70	13	126,730	20,150
Natural Gas Wells:					mmcf	10^3m^3
Alberta	170	21.713	57	113	704	19,838
British Columbia	30	2.561	18	12	645	18,183
U.S.A.	9	0.600	9	0	20	574
Sub-Total Gas	209	24.874	84	125	1,369	38,595
TOTAL WELLS	292	42.104	154	138		

DRILLING RESULTS, RESERVES, AND LAND

	Calendar 1979	Fiscal 1979	Fiscal 1978
Gross Wells Drilled			
Crude Oil	13	15	1
Natural Gas	22	28	37
Dry & Abandoned	15	28	20
TOTAL	50	71	58
Undeveloped Land Holdings			
Gross Acres	2,517,881	2,524,010	524,385
Net acres	166,578	166,407	71,287
Reserves — net of Royalties (Proven & Probable)			
Crude Oil bbl	3,400,000	3,300,000	220,000
Natural Gas mmcf	37,900	36,200	10,000

Red Earth Area, Alberta
Joffre Area, Alberta
North Dahl Area, B.C.

Joffre area

During 1979 the Joffre area in Alberta accounted for approximately 52% of the Company's total crude oil production. Production was increased through the expansion of secondary recovery facilities and the drilling of additional production wells.

The field which is now approaching its peak production limits, is located approximately twelve miles east of Red Deer, Alberta, and is an extension of an earlier Viking sand field which was depleted utilizing a similar secondary recovery scheme. The precedent of the earlier discovery and development makes operating results of the Joffre field highly predictable.

Brinco has an approximate 24.4% interest in Joffre Unit #3 which contains twenty-two producing wells.

Natural gas produced in association with the oil production is gathered by a producer-owned system and is marketed to a natural gas utility.

Red Earth area

The Red Earth area in which Brinco has a 25% interest, was the scene of significant activity during the past year. In 1978, Conuco successfully tested a Devonian reef in this area of northern Alberta. In 1979, three step-out wells were drilled, two of which were abandoned as dry holes and the third of which encountered high gravity crude oil in the reef with a test rate stabilized at approximately one hundred barrels per day. As of December 31, 1979, Brinco had two drilling rigs engaged in drilling additional step-out wells located to the west of the original discoveries. Currently crude oil production in the area is being trucked to an adjacent pipeline. If additional reserves are delineated in the area, Brinco will consider construction of a pipeline gathering system to eliminate the necessity of trucking the oil to market.

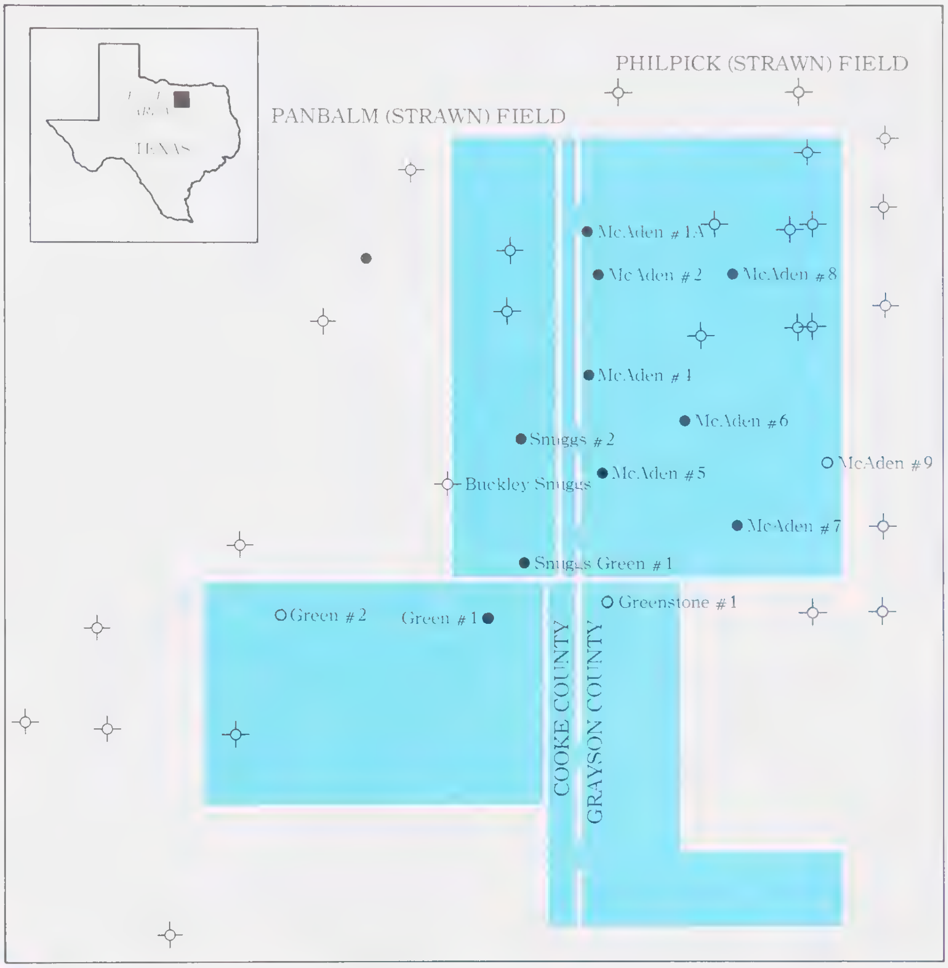
North Dahl area

The North Dahl field, in which Brinco has an approximate 10% interest, is located approximately 130 miles northeast of Fort St. John, British Columbia. The field is capable of producing natural gas at a rate of 6 million cubic feet per day from Cretaceous horizons which cover an areal extent of approximately 84,000 acres. Additional infill wells are being considered for 1980 which would bring the total number of wells in the field to fourteen. Natural gas production from the area is marketed through a pipeline gathering system and compressor station owned and operated by the joint interest participants.

McAden Lease, Texas

Brinco, through its wholly owned subsidiary Conuco Oils of Texas Inc., has an approximate 6% working interest in an oil producing property in the Cooke and Grayson counties of Texas.

In 1979 five wells were drilled of which four are producing oil wells from the Foster sand. Three more wells are proposed on the Green and Goldstone lease blocks. After this program, results will be reviewed and a waterflood secondary recovery scheme employed to maximize future production. It is expected that the secondary recovery scheme will maintain Brinco's share of production at about 40 barrels of oil per day. While oil prices vary considerably between the new and old oil classifications, average per barrel prices received by the Company have doubled since initial production from this property.



McAden Lease, Texas

Legend:

- Oil Well
- Gas Well
- Location of Rig
- Dry and Abandoned
- Dry and Abandoned

Ring-Border Area

Exploration Review

Ring area

The Ring area is located approximately one hundred and fifty miles northeast of the Town of Fort St. John in northeast British Columbia. Brinco is operator and holds a 9.375% interest in 22,480 acres of land and a 12.5% interest in a further 34,480 acres of land. The company also holds a 21.875% interest in an additional 8,022 acres under a British Columbia Drilling Reservation.

Activity began in this area with the drilling by Conuco of a discovery well in 1978 followed by two further successful wells in 1979. All three of these wells have been completed as natural gas wells and are productive in a Triassic horizon. Initial flow testing of the discovery well indicated AOF volumes of up to 2.06 million cubic feet of gas per day.

This area will be the site of considerable activity during the first quarter of 1980. A well is planned to further evaluate the Triassic horizon. An earning well is to be drilled under the terms of a farmout agreement also to test the Triassic horizon, and a deeper well is to be drilled to a depth of 10,000 feet to test Devonian horizons. In addition, a well will be drilled in the first quarter of 1980 on the British Columbia Drilling Reservation.

The reserve potential is considered to be substantial and this area will be the site of increased Company activity in future years. Gas production in this area is generally sold to the British Columbia Petroleum Corporation. The nearest pipeline facilities are those connecting the North Dahl field, approximately 12 miles to the southwest of the Ring acreage. The Company is seeking to conclude a sales contract for natural gas production and is optimistic that gas sales could commence in the spring of 1981.

Border area

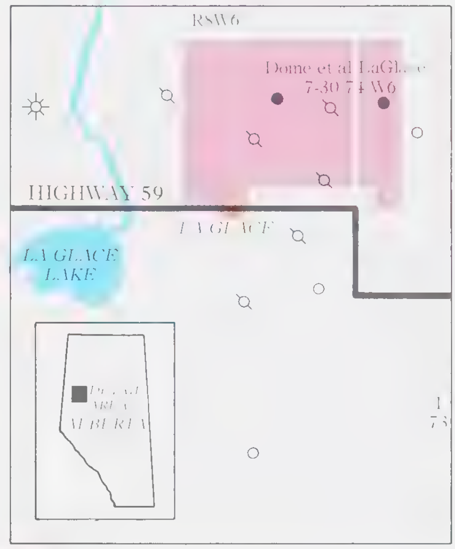
The Border area located on the Alberta side of the Alberta/British-Columbia border, lies in relatively close proximity to the Ring area. The Company, in association with other joint interest participants, has under farmout arrangements acquired an interest in 33,000 acres of land. Pursuant to these arrangements, the Company has agreed to drill a well to earn a 20% interest in one block, and further wells may be drilled successively to earn interests in the balance of the lands. The drilling of four wells, would earn for the Company an interest in the entire acreage. The initial well has been completed as a natural gas producer, and commitments have been made to drill two additional wells in the first quarter of 1980. It is hoped that a third well will be drilled during the 1980/1981 winter drilling season.

An extensive geophysical seismic program has been conducted in the area and its results are presently being analyzed to evaluate the potential for a deep test. The nearest pipeline connection in Alberta is a substantial distance from the existing wells and management is considering alternatives for the marketing of natural gas production from this area.

La Glace area

Brinco has a one-third interest in 11,680 acres and a 100% interest in an additional 160 acres in the La Glace area of Northwestern Alberta. In the first quarter of 1979, Dome Petroleum Ltd. as operator, commenced the Dome Conuco La Glace 7-30-74-7 W6M well in which the Company has a 20% carried interest. This well was completed as a potential oilwell and a second follow-up location has been drilled. Brinco's working interest in the second and succeeding wells on the main acreage will be a 33 1/3%.

The La Glace area is located in the Deep Basin of northwestern Alberta and has been the scene of considerable interest in recent years following development of new low-permeability reservoir technology for the recovery of natural gas reserves.



La Glace Area, Alberta

Hotchkiss Area, Alberta

Hotchkiss area

The Hotchkiss area in which Brinco's interest varies from $7\frac{1}{2}\%$ to 15%, is located northwest of the Town of Manning in the Province of Alberta. During 1979, the Company with joint venture participants drilled 3 wells resulting in two natural gas producers and one dry hole. This brings to six the number of natural gas wells capable of commercial production in this area. A major trunk pipeline, approximately six miles to the east, carries natural gas for export into the Pacific coastal markets of the United States. A natural gas sales contract has been agreed under which deliveries would commence upon completion of the pre-built section of the Alaska Gas Pipeline Project, which in turn is dependent on Government approvals. Prior to commencement of deliveries from this area, additional drilling and construction of a gathering system will be necessary.

Labrador Sea Activities

Brinco in association with a consortium of companies assembled by Paddon Hughes Development Co. Ltd. has or will have a 0.46% working interest in two tracts totalling 753,404 acres of petroleum and natural gas rights in the Labrador Sea. The tracts are located forty miles northeast of the coastal village of Hopedale, Labrador in an area where water depth varies between 700 and 1,200 feet.

Initial geophysical work in the area indicated promising structures on the acreage and accordingly a 7,500 foot test well was drilled in 1978. The well encountered substantial flows of natural gas and condensate, and a second well will be drilled to a depth of 12,000 feet during the summer of 1980.


Makkovik
Labrador Sea
KITTS
Postville
MICHELIN
Lake Melville
North-West River
Goose Bay
DETAIL AREA
HOPEDALE
LABRADOR
GOOSE BAY

MINERAL RESERVES

	Short Tons	Grade lbs. U_3O_8/Ton	Total lbs. U_3O_8
Kitts	382,900	10.61	4,063,600
Michelin	8,121,000	2.36	19,169,600
Combined	8,503,900	2.73	23,232,600

Kitts/Michelin Project Team

The Kitts/Michelin Project

The Company has managed an active exploration program in Labrador since 1953, with activity concentrated in an area southwest of Makkovik where many uranium showings have been found. The Kitts and Michelin uranium deposits were discovered in this area in 1956 and 1968 respectively. Since the discovery of these deposits many alternative development schemes have been considered, all of which involved staging development from Kaipokok Bay and each of which proved unsatisfactory for one reason or another.

A major corporate objective for 1979 was the review of data and concepts in an attempt to design a project which would be technically and economically sound as well as environmentally acceptable. A preliminary engineering review was completed early in the year and a conceptual development plan was presented to the public and to governments. This plan generally won local approval and based on the available data was sufficiently attractive to warrant the commissioning of a feasibility study, as well as financing and marketing discussions.

In March 1979 Commonwealth Edison Company of Chicago expressed interest in taking product and acquiring an available equity interest in the project. Negotiations led to the signing of an agreement in principle in August 1979. The arrangements agreed upon call for Commonwealth Edison to arrange non-equity financing for the project, and to purchase product at the higher of an agreed floor price, or market price less 5%.

The feasibility study was completed in June 1979 and indicated that the development plan was economically attractive and would sustain an operation under the conditions projected.

The project involves development of the Kitts and Michelin deposits together, staged out of Goose Bay. Processing is planned at the Michelin site at a nominal rate of 1500 tons per day to yield 1.3 million pounds of uranium oxide per year. Currently defined reserves are sufficient for a 15 year operation. It is expected that this projected life will be substantially extended because of the good exploration potential in the area. Capital costs for the project are estimated at $141 million (January 1980 dollars) and operating costs are estimated at $18.86 per lb. of U_3O_8.

An Environmental Impact Statement, Preliminary Site Report and Preliminary Safety Report have been submitted to the Newfoundland Government, to the public, and to the Atomic Energy Control Board. Additionally, a number of public meetings have been held to review the project program with local communities.

Early in December a Board appointed by the Newfoundland Government held hearings in five Labrador communities to record public reaction to the Environmental Impact Statement and the project. The Board's report is expected early in 1980.

In 1980, a comprehensive project report now in the process of preparation will be completed, pre-operational environmental studies will continue and applications will be made for necessary licences and permits.

Project Engineering

Engineering efforts during the second half of the year were directed towards confirming technical data upon which the study was based. Four major areas were studied in detail:

- Ore Reserves and Mining Methods.

  Updating and recalculating of Kitts reserves resulted in an increased estimate of contained U_3O_8. A 13,000 foot diamond drilling program at Michelin confirmed open pit reserves and provided data for detailed mine planning.

  Computerized modeling assisted in confirmatory ore reserve calculations at Michelin.

- Mill and Metallurgical Testwork.

  Metallurgical testwork confirmed and refined previously generated information enabling sizing and selection of processing equipment.

- Site Investigation.

  7,000 ft. of drilling on the plant and waste management sites provided the geotechnical and hydrogeological information necessary to locate and design those facilities.

- Access road Alignment.

  A team of marine and wildlife biologists, engineers, and construction contractors studied the alignment of the 100 mile proposed road from North West River to the minesite. A road was designed with a view to meeting environmental and economic requirements.

The results of these studies are being summarized in the project report.

Northwest River Bridge under construction

Upper: Public meeting in Happy Valley — Goose Bay

Lower: Biologist electro-fishing during fish census

Environmental Assessment

The Kitts/Michelin Project has been the subject of the most extensive Environmental Impact Study in the history of the mining industry in Newfoundland.

The Study group consisted of a multidisciplinary team comprised of 65 professionals who conducted studies in 17 different areas of expertise.

Details of occupational health and safety, waste management systems, environmental and socio-economic studies form part of the Environmental Impact Statement which is now in the hands of Government and the public.

Environmental considerations play an important part in the design of all facilities and operating procedures. Uranium mining must meet strict Provincial and Federal legislative requirements.

Brinco is confident that the Kitts-Michelin Project will be carried out in a manner that will safeguard the public and the environment while making a significant contribution to the economy of central Labrador.

Geology and Exploration

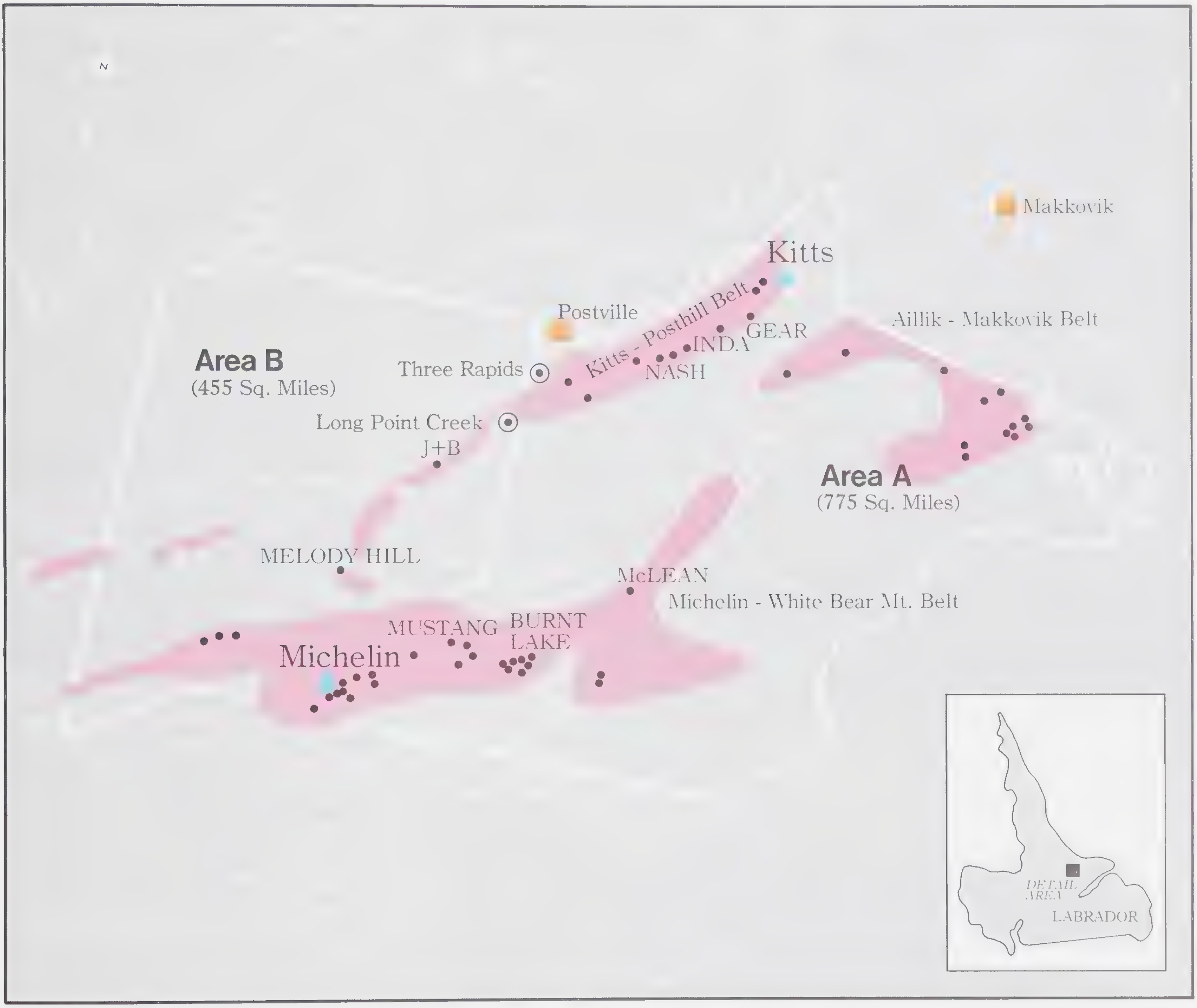
In Area A, shown opposite, detailed geological and geophysical surveys were completed at Mustang Lake approximately 8 kilometres northeast of Michelin in conjunction with intensive prospecting. The latter defined several boulder trains, one of which contained 117 boulders ranging in grade from 0.09% to 6.2% U_3O_8 and averaging 1.28% U_3O_8.

Drilling to locate the source was initiated in September. The 21 holes completed show complex bedrock geology and deep overburden indicative of considerable glacial action, and resulted in one minor intersection, not considered responsible for the high grade boulders.

Prospecting to the northeast of Mustang Lake was successful in locating three areas within a 15 kilometre belt with numerous radioactive outcrops and boulders known as the Mustang North, Aurora and Burnt Brook prospects. Sampling of trenches and outcrops gave intersections of up to 0.16% U_3O_8 over 3 metres. Further investigation of the areas of the most promising intersections in outcrop will be undertaken in 1980.

In Area B, work centred on Melody Hill approximately 10 kilometres north of Michelin, in order to locate the source of the highly radioactive boulders reported last year. Numerous additional radioactive boulders were located, more accurately delineating the boundaries of several trains. One such train contains high grade boulders, now 27 in number, averaging 8.4% U_3O_8. Bulldozer stripping and 37 drill holes tested part of the high grade boulder train and yielded four intersections of up to 0.23% U_3O_8 over 0.6 metres. None of these intersections is characteristic of the high grade boulders.

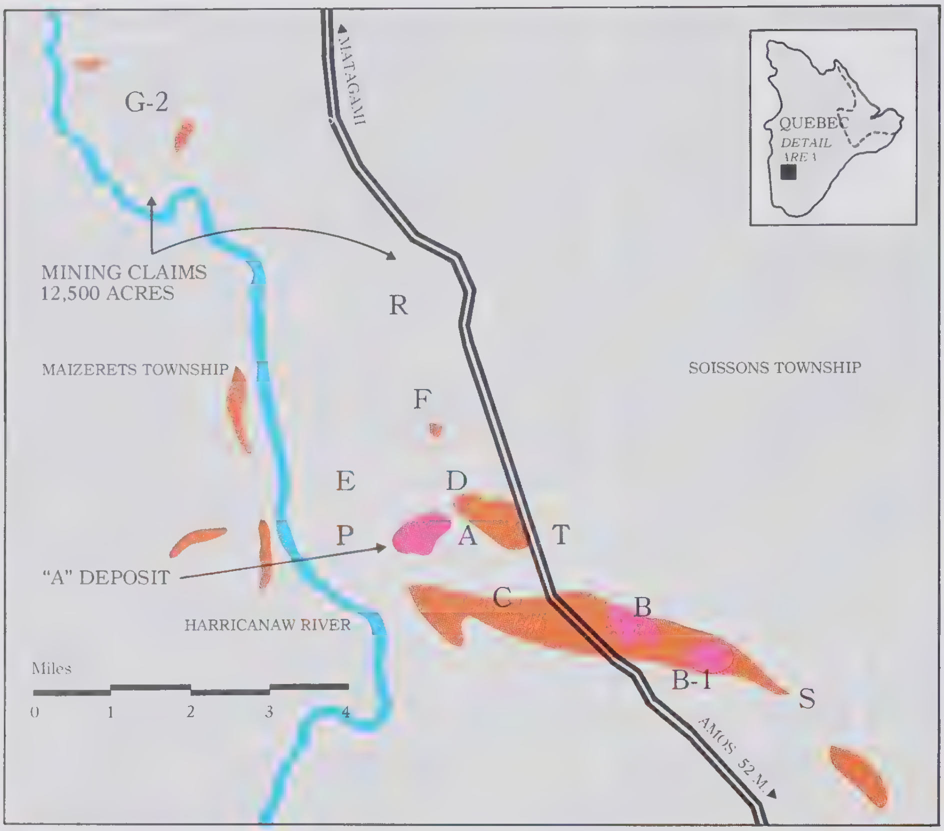
Regional mapping and prospecting of the balance of Area B resulted in discovery of the Anna Lake North boulder field, an area of 50 hectares containing numerous radioactive boulders, 12 of which were sampled, averaging 0.24% U_3O_8.



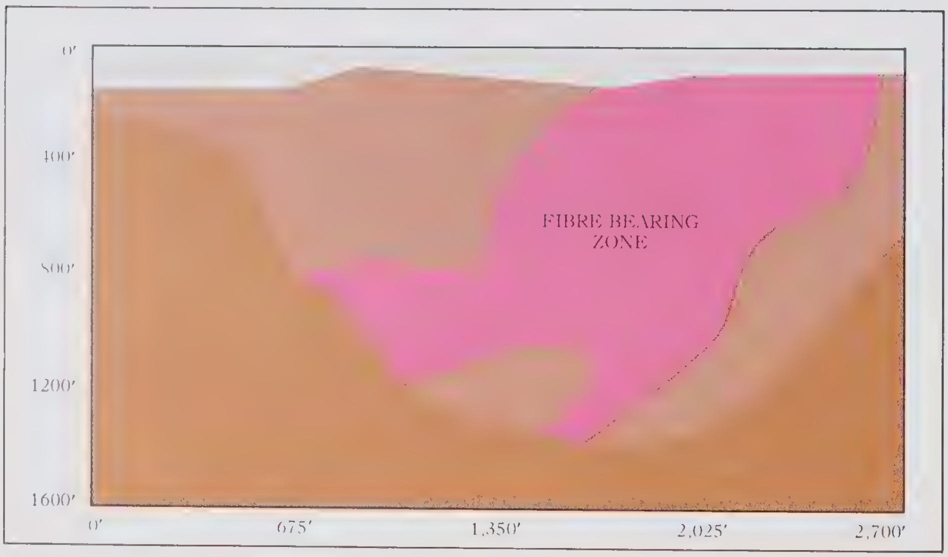
East-Central Labrador Uranium Belts

Legend:

- Existing Communities
- Established Reserves
- Uranium Showings
- Favourable Stratigraphy



Abitibi Asbestos Mining claims
Areas above 5,000 gammas magnetic intensity
Areas of asbestos potential



Cross section of "A" deposit
106.7 million tons of 2.8% recoverable fibre
128.9 million tons waste rock
38.2 million tons overburden

Brinco owns approximately 60% of Abitibi Asbestos Mining Company Limited which has as its principal asset a drilled asbestos deposit on a property in Northern Quebec. The deposit is estimated to contain 106,700,000 tons of 2.8% recoverable fibre. The fibre is of relatively good quality and its weight distribution is projected as follows:

Grade	4T	30%
"	5R	25%
"	6D	35%
"	7D	10%

Brinco is continuing to investigate the possibility of joint venture arrangements with various partners for the evaluation and eventual development of the property. Interest has been shown but to date there are no commitments to participate.

Market investigations have included discussions with Canadian and foreign asbestos producers and marketing outlets. Some improvement in the ability of asbestos markets to absorb new production is expected during the mid-1980's.

In late 1979 proposals were solicited from a number of engineering firms for the review of conceptual designs and cost data for the project. This work, which will be carried out in the first half of 1980, will be directed at a scaled down development from that which was previously considered.
Based on the results of the commercial and engineering activities in 1980, future work would be aimed at firming up technical aspects as well as marketing and financing arrangements.

Exploration Activity in 1979

The Company continued to be engaged in mineral exploration in a number of areas in Canada and the United States during the year expending a total of $1.7 million in field expenditures as its share of exploration costs under programs costing $6.0 million in the aggregate. Included in the Company's expenditures was $1.2 million spent in Areas A and B in Labrador. As these figures show, a very high proportion of the exploration activity continues to be conducted in joint ventures with other companies. In 1979, programs in which the Company participated included drilling for precious metals in Newfoundland, base metals in the Yukon Territory and Newfoundland, and uranium in Saskatchewan and Texas, all in addition to the extensive work in Areas A and B and elsewhere in Labrador. Uranium exploration programs operated by joint venture partners in Labrador resulted in strong encouragement for further work both in the Moran Lake area (Canadian Nickel Company Limited) and on the Aillik peninsula (Placer Development Limited). Drilling in both areas is planned for 1980. Additional drilling undertaken by Rio Tinto Canadian Exploration Limited on Brinex concession areas in the Cape Ray area of southwest Newfoundland has resulted in extensions of previously known gold-bearing zones.

In Newfoundland, evaluation of the Central Mobile Belt for polymetallic massive sulphide deposits continued, and several excellent targets have emerged for drilling in 1980. A substantial program will be necessary to test these targets and discussions with potential joint venture partners are presently underway. Four holes totalling 407 metres were drilled in the Port-aux-Choix area in the search for lead and zinc in Ordovician carbonates. No mineralization was encountered. In addition to these programs, some preliminary work was carried out in exploration for uranium in the Deer Lake area of Newfoundland and in Western Labrador and further work will be undertaken in 1980 on both projects.

As reported in the nine month interim report, Pan Ocean Oil Limited signed an agreement with the Ogilvie Joint Venture partners permitting Pan Ocean to earn an interest in the Jason Property in the Yukon. An expenditure of $4 million will earn Pan Ocean a 20% interest and expenditure of a further $4 million will increase that interest to 50%. Approximately 1940 metres in 10 holes was drilled on a variety of targets in 1979 and extensive geophysical and geochemical surveying undertaken under Pan Ocean's direction. One hole returned encouraging lead and zinc values. An expanded program is planned for 1980.

Exploration for uranium in the Athabasca Basin of Saskatchewan included the drilling of four holes totalling 1220 metres to test geophysical anomalies on the Russell Lake property. All four holes penetrated the Athabasca sandstone and were stopped in the basement rocks. Although significant uranium values have not yet been encountered, there is strong encouragement to continue this exploration program. Extensive line cutting and deep penetration geophysics are presently underway to define targets for drilling in 1980. Elsewhere in the Athabasca Basin further geochemical and geophysical work was carried out on the William River and Cree Lake blocks, which are at a much earlier stage of exploration than the Russell Lake area. A similar level of activity is planned on these blocks for 1980.

Leslie Michelin — Labrador prospector

A joint venture program of examination of alkali lake sediments in Southern British Columbia for their uranium content led to the commissioning of a test report on in-situ mining of these materials. The report was received late in the year and has not yet been fully assessed. In February 1980, the British Columbia Government announced a seven year moratorium on uranium mining and exploration, and consequently this program will be suspended.

Exploration for uranium in the southern United States by a joint venture including Union Holdings has been terminated.

A number of smaller exploration programs of a more grass-roots nature were carried out in 1979 in various provinces of Canada, searching for base metals, precious metals and uranium. Many of these will continue in 1980, some as joint ventures, but exploration emphasis will continue to shift from such activities towards evaluation of more advanced properties for acquisition and development.


Brinco Limited and subsidiaries

Consolidated Statement of Financial Position

as at December 31, 1979
(with comparative figures for 1978)

	1979	1978
Current Assets:		
Cash and short-term investments	$ 55,499,000	$44,514,000
Interest receivable	1,148,000	1,002,000
Accounts receivable	4,025,000	580,000
Supplies and prepaid expenses	367,000	156,000
Total current assets	61,039,000	46,252,000
Current Liabilities:		
Accounts payable and accrued liabilities	5,446,000	620,000
Bank loan	1,165,000	875,000
Total current liabilities	6,611,000	1,495,000
Working Capital	54,428,000	44,757,000
Investments:		
Coseka Resources Limited (note 3)	—	10,079,000
Property, Plant and Equipment (note 4):		
Oil and gas properties (note 5)	52,446,000	—
Mineral resource properties (note 6)		
Asbestos	13,443,000	13,356,000
Uranium	11,076,000	8,171,000
Other	139,000	122,000
Production and other equipment	2,915,000	512,000
Total property, plant and equipment	80,019,000	22,161,000
Other Assets	812,000	587,000
Capital Employed	135,259,000	77,584,000
Deduct:		
Debentures payable (note 7)	4,220,000	—
Deferred income taxes	4,308,000	1,436,000
Minority interest in subsidiary	3,288,000	3,374,000
	11,816,000	4,810,000
Shareholders' Investment	$123,443,000	$72,774,000
Shareholders' investment represented by:		
Capital stock (note 8)	$ 76,868,000	$40,912,000
Retained earnings	46,575,000	31,862,000
	$123,443,000	$72,774,000

On behalf of the Board:

R.B. Dale-Harris

Robert B. Dale-Harris, Director

Hugh R. Snyder, Director

See accompanying notes.

Consolidated Statement of Earnings

for the year ended December 31, 1979
(with comparative figures for 1978)

	1979	1978
Income:		
Oil and gas	$ 619,000	$ —
Short-term investments	5,076,000	3,812,000
Total income	5,695,000	3,812,000
Expenses:		
Production	172,000	—
Mineral exploration	1,961,000	2,466,000
General and administration	2,018,000	1,597,000
Interest	440,000	65,000
Depletion and depreciation	783,000	120,000
Provision for loss in value of investment		150,000
Total expenses	5,374,000	4,398,000
	321,000	(586,000)
Income Taxes:		
Current (recovery)	(34,000)	—
Deferred (note 11)	601,000	185,000
Total income taxes	567,000	185,000
	(246,000)	(771,000)
Equity in Net Income of Coseka Resources Limited (note 3)	868,000	799,000
Earnings Before Extraordinary Items	622,000	28,000
Extraordinary Items:		
Gain on sale of shares of Coseka Resources Limited less deferred taxes thereon of $5,720,000 (note 3)	13,722,000	—
Reduction in income taxes due to utilization of unclaimed deductions expensed in prior years and application of prior years' losses	4,479,000	—
Increase in book value of investment in Coseka Resources Limited	—	1,576,000
Total extraordinary items	18,201,000	1,576,000
	18,823,000	1,604,000
Minority Interest in Loss of Subsidiary	86,000	58,000
Net Earnings for the Year	$18,909,000	$1,662,000
Basic Earnings per Common Share:		
Before extraordinary items	$0.03	$0.01
After extraordinary items	$1.24	$0.11

See accompanying notes.

Brinco Limited and subsidiaries

Consolidated Statement of Retained Earnings

for the year ended December 31, 1979
(with comparative figures for 1978)

	1979	1978
Retained Earnings at Beginning of Year	$31,862,000	$65,600,000
Net earnings for the year	18,909,000	1,662,000
	50,771,000	67,262,000
Dividends on preferred shares, series A	173,000	—
	50,598,000	67,262,000
Deficiency arising from reissue of shares purchased in prior years (note 8 (b))	(4,023,000)	—
Transfer of retained earnings to paid up capital	—	(35,400,000)
Retained Earnings at End of Year	$46,575,000	$31,862,000

See accompanying notes.

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1979
(with comparative figures for 1978)

	1979	1978
Source of Funds:		
Loss before equity in net income of Coseka Resources Limited, extraordinary items and minority interest in loss of subsidiary	$ 246,000	$ 771,000
Items not affecting working capital:		
Depletion and depreciation	783,000	120,000
Deferred income taxes	601,000	185,000
Provision for loss in value of investment		150,000
Other	40,000	9,000
Funds provided (used) by operations	[illegible]	(307,000)
Proceeds on sale of investment in Coseka Resources Limited (note 3)	30,389,000	—
Issue of preferred shares, Series A (note 8)	12,157,000	—
Issue of preferred shares, Series B (note 8)	12,157,000	—
Issue of common shares net of deficiency on reissue (note 8)	11,695,000	68,000
Total funds provided (used)	67,576,000	(239,000)
Use of Funds:		
Acquisition of subsidiary including working capital deficiency acquired (note 5)	38,498,000	—
Expenditures on mineral resource properties	3,009,000	1,804,000
Purchase of oil and gas properties and equipment	941,000	—
Purchase of other equipment, net	178,000	115,000
Retirement of bank loan of acquired subsidiary	9,356,000	—
Redemption of preferred shares held by minority shareholder of acquired subsidiary	1,580,000	—
Redemption of preferred shares, Series B	4,076,000	—
Dividends on preferred shares, Series A	173,000	—
Other	94,000	134,000
Total funds used	57,905,000	2,053,000
Increase (Decrease) in Working Capital	9,671,000	(2,292,000)
Working Capital Beginning of Year	44,757,000	47,049,000
Working Capital at End of Year	$54,428,000	$44,757,000

See accompanying notes.

Notes to the Consolidated Financial Statements

as at December 31, 1979

1. The Company:

   Brinco Limited ("Brinco"), a public company incorporated under the laws of the Province of Newfoundland, is engaged in the exploration for and development of natural resources relating primarily to energy resources, industrial minerals and base metals. These activities are carried out either directly or through joint ventures by Brinco and its subsidiaries.

2. Summary of Significant Accounting Policies:

   The financial statements have been prepared following accounting principles generally accepted in Canada.

   The principal accounting policies of the Company and its subsidiaries are summarized hereunder.

   Basis of Consolidation:

   The consolidated financial statements include the accounts of the Company and all its subsidiary companies. The operations of subsidiaries acquired during the year are included in the accounts from the date of acquisition. The active subsidiaries and the Company's ownership therein are as follows:

	Ownership
Brinco Oil & Gas Limited (note 5)	100%
Brinex Limited ("Brinex")	100%
Union Holdings Incorporated	100%
Abitibi Asbestos Mining Company Limited ("Abitibi")	60%

   Oil and Gas Properties and Production Equipment:

   Oil and gas properties and production equipment are accounted for using the full-cost method whereby all costs related to the exploration for and development of oil and gas reserves are capitalized. Substantially all of the exploration and production activities are conducted jointly with others and accordingly the accounts reflect only the proportionate interest of the Company. The costs of such properties and production equipment are charged to earnings on the unit-of-production method, based on estimated proven reserves.

   Mineral Exploration and Expenditures on Mineral Resource Properties:

   Exploration expenditures and costs related to the investigation of possible investments in mineral resources are charged to earnings as incurred, net of recoveries from joint venture partners. Expenditures on mineral resource properties, net of recoveries from partners, are carried forward as assets so long as the properties are considered to be of value. The costs of such properties are written off in the event of abandonment or are charged to earnings after they are put into production.

   Income Taxes:

   Tax allocation procedures are followed, except that no recognition is given in the accounts to the possible future income tax reduction which may be realized through the deduction in determining taxable income in future years of unclaimed amounts of depreciation, exploration and development expenditures and losses available for carryforward. The reduction in income taxes resulting from the application of such unclaimed amounts and losses carried forward is reflected as an extraordinary item in the years in which the tax reduction is realized.

Earnings per Common Share:

The calculation of basic earnings per common share has been made using the weighted average number of common shares issued and outstanding during the respective years. There would be no material dilution of basic earnings per common share on full conversion of convertible preferred shares and exercise of all outstanding stock options.

3. Investment in Coseka Resources Limited:

On December 21, 1979 the Company sold all of its holdings in the share capital of Coseka Resources Limited for cash. Prior to the sale, the Company used the equity method of accounting for the investment.

The sale resulted in a gain calculated as follows:

Proceeds	$30,788,000
Less: Related costs	399,000
	30,389,000
Carrying value of the investment	10,947,000
	$19,442,000

4. Property, Plant and Equipment:

	1979			1978
	Cost	Accumulated depreciation and depletion	Net	Net
Oil and gas properties	$55,639,000	$3,193,000	$52,446,000	$ —
Mineral resource properties	24,658,000	—	24,658,000	21,649,000
Production and other equipment	4,284,000	1,369,000	2,915,000	512,000
Total	$84,581,000	$4,562,000	$80,019,000	$22,161,000

5. Acquisition of Oil and Gas Subsidiary:

Pursuant to the terms of an agreement between the Company and Conuco Limited ("Conuco") and its subsidiary and affiliated companies, on October 18, 1979 Brinco acquired all of the outstanding common and preferred shares of Conuco in exchange for 2,210,435 common shares valued at $11,605,000; 2,210,435 preferred shares, series A, valued at $12,157,000, and 2,210,435 preferred shares, series B, valued at $12,157,000. Acquisition costs amounted to $554,000.

Details of the acquisition, which has been accounted for by the purchase method, are as follows:

Net assets acquired:		
Production and other equipment		$ 2,507,000
Oil and gas properties	$23,356,000	
Excess of purchase consideration over book value of net assets acquired, attributable to the oil and gas properties	28,820,000	52,176,000
Working capital deficiency		(2,025,000)
Long term debt		(15,156,000)
Deferred income taxes		(1,029,000)
Purchase consideration		$36,473,000

In January 1980 the Company's oil and gas subsidiary changed its name to Brinco Oil & Gas Limited.

6. Mineral Resource Properties:

Development of mineral resource properties and recovery of related costs are dependent upon capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

Uranium

In August 1979 Brinco and Brinex entered into an agreement with Edison Development Canada Inc. ("Edison") whereby Edison would, under certain conditions acquire the 40% interest of a previous joint venture partner. Brinco and Brinex also entered into an agreement in principle with Edison and its parent company, Commonwealth Edison Company of Chicago ("CE") whereby Edison, on completion of detailed arrangements concerning financing, construction, marketing and operating, would arrange financing of mine and mill construction at the Kitts and Michelin uranium deposits in Labrador and CE would purchase up to 18,000,000 pounds of uranium. In view of the existing uranium market conditions, the parties are discussing possible revisions to the agreement in principle.

Asbestos

During 1980 Abitibi plans to carry out a further feasibility study and detailed technical and financial reviews in connection with the development of the asbestos property in Quebec. Discussions are continuing between Abitibi, the Province of Quebec and major asbestos producers concerning their participation in the development of the asbestos deposit.

7. Debentures Payable:

The debentures bear interest at 5.4% and are due August 1, 1982. They are secured by a floating charge on certain oil and gas properties.

8. Capital Stock:

Authorized:

10,000,000 preferred shares with a par value of $5.50 each issuable in series

35,000,000 common shares without nominal or par value

	1979	1978
Issued:		
2,210,435 7% cumulative convertible redeemable retractable preferred shares, series A (1978 — Nil)	$12,157,000	$ —
1,469,208 convertible retractable preferred shares, series B (1978 — Nil)	8,081,000	—
16,885,953 common shares (1978 — 14,653,518)	56,630,000	40,912,000
	$76,868,000	$40,912,000

a) On September 24, 1979 shareholders approved the creation of a class of 10,000,000 preferred shares with a par value of $5.50 each issuable in series. Subsequently 2,210,435 series A and 2,210,435 series B preferred shares were issued.

b) In 1978, 9,973,067 common shares purchased for $7.07 each pursuant to the 1974 tender offer to shareholders were deemed by legislation to be a special class of common shares designated as Class A. When these shares are reissued, they revert to their former status as common shares. During 1979, 2,210,435 of such Class A common shares were issued in accordance with the terms of the agreement with Conuco. The shares were issued at $5.25 each, the value ascribed to them by the Board of Directors. The difference of $4,023,000 between the value of shares purchased and the ascribed value of shares issued has been charged to retained earnings.

c) At the option of the holder, each preferred share, series A is convertible until October 18, 1984 into 0.55 of a common share, subject to adjustment in the event of dilution. At the option of the Company, the preferred shares, series A are redeemable after April 30, 1981 if the market price of the Company's common shares is more than 150% of the equivalent conversion price (initially $10.00) of the preferred shares. The Company shall invite tenders on or about October 18, 1984 for retraction of the preferred shares, series A, at $5.50 each plus accrued and unpaid dividends. Each year, under a mandatory provision the Company shall redeem an amount equal to 5% of the originally issued shares for $5.50 each plus accrued and unpaid dividends if the average market value of the preferred shares, series A during the Company's fiscal year is less than par value. Since the average market value was less than $5.50 approximately 110,000 shares shall be redeemed in 1980.

d) At the option of the holder, each preferred share, series B, is retractable until October 18, 1980 for $5.50 each. At the option of the holder, each preferred share, series B is convertible until October 18, 1980 into 0.55 of a common share, subject to adjustment in the event of dilution. After October 18, 1980, the remaining preferred shares, series B, will be converted into common shares. During 1979, 741,227 shares were redeemed and 313,183 shares were tendered for redemption.

e) Each issued and outstanding preferred share, series A and series B is entitled to a fraction of a vote equal to the conversion basis of such shares into common shares.

9. Stock Options:

Under the Company's 1975 stock option plan, 200,000 common shares have been set aside for issuance. At December 31, 1979 options were outstanding on 145,000 shares (including 110,000 to officers) at prices ranging from $4 to $7 per share exercisable at various dates to 1984.

Subject to approval by shareholders an additional 250,000 common shares have been set aside for issuance and 51,000 such options (including 30,000 to an officer) have been issued at $6.25 per share exercisable until 1984.

During the year, options were exercised on 22,000 shares for a cash consideration of $90,000.

10. Commitments:

a) In July 1979 Brinex exercised an option to acquire or arrange the sale of the 40% interest of Urangesellschaft Canada Limited ("UG Canada") in the joint venture covering portions of Brinex's concession areas in Labrador, which include the Kitts and Michelin uranium deposits.

In August 1979 Brinco and Brinex entered into an agreement with Edison providing for the acquisition by Edison of UG Canada's interest for $10,100,000. The acquisition is subject to approvals by government and regulatory authorities. Pending receipt of such approvals Brinex has entered into an agreement with SBC Financial Limited ("SBC"), a subsidiary of Swiss Bank Corporation, under which SBC agreed to pay $10,100,000 to UG Canada to acquire and hold, in trust, the interest in the joint venture. SBC is providing the funds at the prime rate charged from time to time by the Royal Bank of Canada.

The arrangements with Edison regarding the acquisition of the joint venture interest were to have been finalized on or before December 31, 1979 but the date has subsequently been extended.

In the event that the approvals for the transfer of the interest in the joint venture to Edison are not forthcoming and should Brinex be unable to make other arrangements, then Brinex is obligated to acquire the 40% interest by repaying the $10,100,000 paid by SBC plus accrued interest thereon.

b) As a condition to obtaining approval for the acquisition of Conuco, certain undertakings were agreed upon between Brinco and the Foreign Investment Review Agency of the Government of Canada, the most significant of which are:

(i) Brinco shall provide from its treasury during the five years following the acquisition, a minimum of $25,000,000; $17,500,000 for exploration for and $7,500,000 for development of oil and natural gas properties in Canada;

(ii) Brinco shall reinvest all available cash flow generated from its Canadian oil and natural gas operations in the exploration for and development of oil and natural gas properties in Canada during the period 1980 to 1983; and

(iii) Brinco shall provide from its treasury a minimum of $6,000,000 during the period from January 1, 1980 to December 31, 1983 for exploration for hard minerals in Canada.

11. Income Taxes:

For income tax purposes, the Company and its subsidiaries claim as deductions, depreciation and exploration and development expenditures sufficient to offset income which would otherwise be taxable. As at December 31, 1979 depreciation and exploration expenditures charged to earnings since the commencement of operations exceed allowances claimed for tax purposes by approximately $10,000,000. Also, the Company and its subsidiaries have unclaimed earned depletion allowances which are available for offset against future resource profits.

12. Remuneration of Directors and Senior Officers:

The aggregate direct remuneration paid or payable for the year by the Company and its subsidiaries to the directors and senior officers amounted to $650,000 ($508,000 in 1978).

13. Reclassification:

For 1979 certain figures reported in 1978 have been reclassified to conform to current presentation.

Brinco Limited and subsidiaries

Auditors' Report to the Shareholders

We have examined the consolidated statement of financial position of Brinco Limited as at December 31, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 7, 1980

Peat, Marwick, Mitchell & Co.
Chartered Accountants

Directors and Officers

Directors

*E. Jacques Courtois, Q.C.
Montreal, Quebec
Partner
Courtois, Clarkson, Parsons & Tétrault

*Robert B. Dale-Harris
Toronto, Ontario
Chairman
Brinco Limited

Lewis W. Foy
Bethlehem, Pa.
Chairman
Bethlehem Steel Corporation

Alistair G. Frame
London, England
Deputy Chairman and Chief Executive
The Rio Tinto- Zinc Corporation Limited

*Donald R. Getty
Edmonton, Alberta
President
D. Getty Investments

Ryuta Kawasaki
Osaka, Japan
Executive Vice-President
Marubeni Corporation of Japan

Harry W. Macdonnell, Q.C.
Toronto, Ontario
Partner
McCarthy & McCarthy

George H. Plewes
Rancho Mirage, California
President
Joel Petroleum Corporation

C. Alan Smith
Calgary, Alberta
President
Brinco Oil & Gas Limited and Vice-President
Brinco Limited

Harold L. Snyder
St. John's, Newfoundland
Director
Centre for Cold Ocean Resources Engineering

*Hugh R. Snyder
Toronto, Ontario
President and Chief Executive Officer
Brinco Limited

*Sir Mark Turner
London, England
Chairman
The Rio Tinto-Zinc Corporation Limited

*Member of the Executive Committee

Officers

Robert B. Dale-Harris
Chairman

Hugh R. Snyder
President and Chief Executive Officer

P. H. Grimley, Ph. D.
Vice-President

G. A. C. MacRae
Vice-President

J. C. O'Rourke
Vice-President

N. M. Peters
Vice-President, General Counsel and Secretary

C. A. Smith
Vice-President

J. J. Goodchild
Comptroller

T. H. Lewis
Treasurer

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Brinco Oil & Gas Limited:

Suite 1801
300 - 5th Ave. S.W.
Calgary, Alberta
T2P 3C4

Registrars and Transfer Agents:

Common Shares
The Royal Trust Company
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario

Preferred Shares
Guaranty Trust Company of Canada
St. John's, Newfoundland
Montreal, Quebec
Toronto, Ontario
Calgary, Alberta

Shares Listed:

Montreal Stock Exchange
Toronto Stock Exchange
Alberta Stock Exchange